



**Resources & Public Realm Scrutiny  
Committee**  
25 April 2023

**Report from the Corporate  
Director of Finance & Resources**

**Financial Forecast Q3 2022/23**

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	N/A
<b>Open or Part/Fully Exempt:</b> (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
<b>No. of Appendices:</b>	One Appendix A - Q3 Financial Forecast Cabinet report
<b>Background Papers:</b>	None
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**1 Purpose of the Report**

- 1.1 This report presents the 2022/23 Q3 Financial Forecast report that was presented to Cabinet in January 2023, which is part of the committee's role in undertaking budget scrutiny throughout the year.

**2 Recommendations**

- 2.1 That the committee note the report

**3 Detail**

- 3.1 The latest forecast on the Council's budget estimates that there will be an overall overspend of £3.2m, made up of £1.6m within the Dedicated Schools Grant,

£2.3m within the Children and Young People directorate and small underspend of £0.7m within the central budget. All other departments are forecasting to breakeven. The actual year end outturn position (as at 31 March 2023) will not be known until May 2023 and will be reported to Cabinet and the Resources and Public Realm Scrutiny Committee in July 2023.

3.2 The key issues and risks for each department are set out in the report, however the committee should note the following areas for consideration as they represent the most material risks to the council's overall financial position:

- Within Children & Young People, there is a projected gross expenditure pressure of £4.3m due to increased demand for placements and the high use of agency staff for social work roles. Mitigating actions have been taken to manage this pressure down to £2.3m. This therefore presents a risk for the budget for 2023/24 if costs cannot be reduced further, which will require growth in the budget.
- The Dedicated Schools Grant is forecast to overspend by £1.6m against a budget of £207.9m This will increase the cumulative DSG deficit to £16.7m by 31 March 2023. The reason for this deficit reflects national issues regarding the continual increase in the number of children assessed as meeting the threshold for Education, Health and Care Plans while the funding has not increased in line with the growth in overall pupil numbers. The government have not committed to fund this deficit and have allowed Councils to carry forward the deficit up to 2025/26 only. Should this temporary provision be removed, the Council may need to use its own reserves to fund the deficit, which will put a strain on the Council's financial sustainability and resilience. Given the significance of this risk, longer-term actions to recover the deficit have been developed and are included in the DSG HNB Deficit Management Plan reported to Schools Forum. A task group chaired by the Corporate Director of CYP coordinates and monitors actions in the Plan, which include reducing costs by managing demand for EHCPs through training to improve the capacity of schools to meet pupil needs, developing Alternative Provision education in the borough, improved commissioning arrangements and increasing the amount of special provision within the borough, particularly for secondary phase pupils and 16–25-year-old SEND students.

3.4 The final outturn on the 2022/23 budget will be presented to Cabinet in July, alongside the first quarterly forecast report for 2023/24. In addition, an update on the Medium Term Financial Strategy and proposed budget setting process for 2024/25 and 2025/26 will be presented. These reports will be important to the committee to consider (looking at the past, present and future) as part of their role in budget scrutiny. In particular, the committee will be asked for their views on the budget setting process for 2024/25 for the Cabinet to consider, which is planned for the November Cabinet meeting.

3.5 Finally, it is important to note that the current and medium term economic environment is volatile and uncertain with high inflation, particularly affecting energy costs, rising interest rates, a potential banking crisis and war in Ukraine

precipitating the cost-of-living crisis. Looking to the future, there is political uncertainty with a general election likely in 2024, potential changes required to implement the post-Brexit regulatory environment and the forecast of little or no growth. The Bank of England's view is that inflation peaked towards the end of 2022 and will now reduce in 2023 before reverting to its 2% target in 2024. CPI fell to 10.5% in December 2022 and 10.1% in January 2023, down from the peak of 11.1% in November 2022 – the highest rate of increase in 41 years. However, in February 2023 CPI rose again to 10.4%, illustrating the volatility that persists in the economy.

- 3.6 The economic environment is volatile and uncertain for the Council, Brent residents and local businesses. This makes it challenging to plan future service levels and the required resourcing envelope. Whilst the level of funding for 2024/25 is largely known, from 2025/26 the picture is unclear. The government have backloaded many financial and policy decisions until after the next general election. The effect is that 2025/26 could be the perfect storm with a number of decisions being taken that adversely affect local government finances. The Council therefore needs to be cautious and prudent in its financial planning, by acting where it can to strengthen its financial standing so as to be best able to overcome future funding risks, particular in the 2025/26 cliff edge year.
- 3.7 Further details on the approach to budget setting for 2024/25 and 2025/26 will be set out for Cabinet and the committee in July.

#### **4 Financial Implications**

- 4.1 The financial implications are contained within the body of this report.

#### **5 Legal Implications**

- 5.1 There are no legal implications arising out of this report.

#### **6 Equality Implications**

- 6.1 There are no equality implications arising out of this report.

#### **7 Consultation with Ward Members and Stakeholders**

- 7.1 Not applicable.

#### **8 Human Resources/Property Implications (if appropriate)**

- 8.1 Not applicable.

**Report sign off:**

**Minesh Patel**

Corporate Director of Finance & Resources